June 30, 2003

Amy Rabinowitz, Esq.
Massachusetts Electric Company
25 Research Drive
Westborough, MA 01582-0099

RE: Massachusetts Electric Company, D.T.E. 03-54

Dear Ms. Rabinowitz:

On May 1, 2003, pursuant to G.L.c. 164, § 94 and 220 C.M.R. §§ 5.00 et seq., Massachusetts Electric Company ("MECo" or "the Company") submitted a proposed tariff, Second Feeder Service Provision. M.D.T.E. No. 1069 ("SFS Tariff") and a Second Feeder Service Agreement ("Service Agreement"). In support of its request, MECo submitted: (1) the Direct Testimony of Carlos A. Gavilondo; (2) the SFS Tariff (Exh. CAG-1); (3) the Service Agreement (Exh. CAG-2); and (4) the Testimony of Robert D. Sheridan.[1] The SFS Tariff provides optional second feeder capacity for large commercial and industrial customers on MECo's General Service Time-Of-Use Rate G-3. On June 2, 2003, the Department conducted a technical session with MECo on the SFS Tariff. The Company seeks Department approval of the SFS Tariff no later than July 1, 2003.

The proposed second feeder service ("SFS") would be an optional, premium service, under which customers served on the Company's Rate G-3 may pay for and receive an additional level of distribution supply security through the availability of service over a second feeder to their facilities (Exh. CAG-1, at 1-3). The Company states that the SFS Tariff would apply when the Company configures its facilities and reserves system capacity to provide a redundant means of serving the customer's facilities (i.e., service over a second feeder), including the installation of automatic switching, that would allow service from the

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1 The Department, on its own motion, moves the Company's testimony and exhibits into the record of this proceeding.

main feeder serving the customer to be switched automatically to the second feeder within 10-15 seconds in case of an outage of the main feeder (Gavilondo Testimony at 3-4).

MECo states that it is proposing a second feeder charge based on the average cost of providing redundant distribution facilities so that customers who want premium service are able to make correct economic decisions, and that other customers do not subsidize the costs of such service (id. at 7). MECo states that the currently effective 115 kilovolt ("kV") credit of $2.14 per kilowatt ("KW") represents the average monthly cost of MECo's distribution facilities used to serve the Rate G-3 class, including O&M and support costs (Gavilondo Testimony at 8; Exh. CAG-1, at 2-3). MECo proposes that if an additional transformer is required at the customer's facility to accommodate the SFS, the customer would pay an additional charge per month equal to the established credit for transformer ownership, currently at $0.45 per KW (Gavilondo Testimony at 9; Exh. CAG-1, at 3-4). MECo states that if the estimated revenue stream that the Company will receive from the customer is inadequate to recover the costs, a construction advance payment by the customer would be required (Gavilondo Testimony at 9; Exh. CAG-2, at 1). Also, a customer requesting SFS would be required to pay the costs of any engineering study, if needed (Gavilondo Testimony at 10; Exh. CAG-1, at 1). The Company reserves the right to temporarily interrupt the SFS for maintenance or when necessary for operational or emergency reasons (Exh. CAG-1, at 2). The Service Agreement and SFS Tariff provide that the term of the service will be at least five years, and certain provisions are included to ensure that the Company would recover the initial costs associated with the SFS (Exhs. CAG-1, at 2-3; CAG-2, at 2).

The Company states that different configurations (e.g., both feeders emanating from the same or from two different substations) provide different levels of supply security and reliability to the SFS customers (Sheridan Testimony at 3). The Company proposes the same rate for the SFS regardless of the level of security enhanced through the premium service (id.). This may be appropriate as long as the SFS will be offered as an optional premium service on a voluntary basis, and provided MECo explicitly discloses this matter in its SFS Tariff. Therefore, the Department approves the SFS Tariff subject to the conditions listed in this Order. The Department's approval of the SFS Tariff is not, in any way, to be construed as a ruling relative to any ratemaking treatment that will be accorded any investment or revenues associated with this service. See Fitchburg Gas and Electric Light Company, D.T.E. 02-24/45, at 64 (2002).

The Department is concerned about any implications for the non-subscribers that may result from the SFS. The reliability of the regular customers' power supply under normal and emergency operating conditions should not be compromised due to the introduction of the SFS. The Department finds that in some instances regular customers may be adversely affected unless the Company undertakes measures to eliminate such a potential.[2] The SFS customers should be advised when the SFS is unavailable due to maintenance or under emergency conditions. The SFS Tariff and Service Agreement should include the Company's obligation to notify the SFS customers about planned maintenance and emergency conditions that may affect the availability of the service. The tariff and agreement should also address the Company accountability for non-compliance with the provisions of the SFS Tariff.

Accordingly, the Department approves MECo's SFS Tariff subject to the following conditions:

(1) MECO shall notify the Department when customers obtain SFS. In addition details of each SFS customer including location, size and configuration of one line and power flow diagram shall be filed with annual report required to be filed under D.T.E. 01-68. The Company's annual filing should also include information about any outages that resulted in switching of the SFS customers' load from the primary to the secondary feeder. The filing should also include information regarding planned maintenance and emergency conditions when the SFS was unavailable.

(2) No other customers' supply and reliability of power supply shall be compromised as a result of providing SFS.

(3) The availability of the SFS Tariff can be terminated by the Department.

(4) The SFS Tariff shall include a statement that the Company does not guarantee any measurable improvement of the reliability of service to the SFS prospective customers.

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[2] Typically, distribution feeders' and other equipment ratings increase by standard incremental capacity blocks. In order to count for the anticipated future load growth, or for some other reasons, the Company may wish to upgrade the second feeder to the block higher than actually needed to meet the capacity requirement of the SFS customer. To justify such an upgrade, the Company may switch some other customers from their feeder to the new one. The incremental cost of the SFS upgrade should not be borne by other ratepayers unless the upgrade is necessary to address anticipated load growth.

By Order of the Department,

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Paul B. Vasington, Chairman

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James Connelly, Commissioner

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W. Robert Keating, Commissioner

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Eugene J. Sullivan, Jr., Commissioner

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Deirdre K. Manning, Commissioner